

Professor Teeling Smith and *The Politics of Prescribing*

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In our series on the history of prescribing policy, Dr Darrin Baines traces how successive governments have attempted to curb drug costs. Here, he describes Professor Teeling Smith's warning of the dangers of a 'cheap drugs' policy in 1985.

KEY EVENTS

■ **1962** Office of Health Economics established – George Teeling Smith became the first director of this ABPI-funded research organisation

■ **1985** OHE publishes *The Politics of Prescribing*, summarising George Teeling Smith's views on pharmaceutical prices and profits

The Office of Health Economics (OHE) was founded in 1962 by the Association of the British Pharmaceutical Industry (ABPI). The organisation was established to undertake research on the economic aspects of medical care. In January 1985, the body published a briefing document based on a lecture given by George Teeling Smith entitled *The Politics of Prescribing*.¹ Professor Teeling Smith established the OHE in the early 1960s and served as its director for three decades.

In his lecture, the professor reported that Britain had one of the most successful pharmaceutical industries in the world. However, he warned that continuing success could easily be thwarted if the government pursued the 'cheap drugs' policy employed in other countries. In his lecture he aimed to 'create a better understanding of the dangers of an over-enthusiastic "cheap drugs" policy, and of the economic misconceptions which lie behind the arguments for such an ill-conceived approach'.

To begin his analysis, Teeling Smith outlined four basic premises:

- pharmaceuticals are particularly cost-

effective forms of medical care

- most drug developments are made by the international research-based pharmaceutical industry
- the economic and scientific drive for innovations stems from the free-enterprise competitive system
- the NHS should not pay higher prices than those necessary to provide a continuing incentive for optimum investment in drug innovation.

Were companies profiteering?

According to Teeling Smith, the politics of prescribing centred primarily on the final premise because there is a 'widespread suspicion that pharmaceutical manufacturers, and those who have invested in them, are deriving disproportionate benefits from their pharmaceutical achievements. That is, it is believed that pharmaceutical profits are excessive'.

In examining the claim of unfair profiteering, Teeling Smith listed five factors that stimulated such a suspicion. First, patent protection gives manufacturers exclusive rights, which results in greater profits. Second, prescribers often choose brand names even when generic alternatives are available. Third, sales promotion encourages the prescribing of brands. Fourth, high costs of innovation create barriers to entry, which stop new players entering the market. Finally, drug companies can charge abnormally high prices because neither the doctor nor the patient has to pay any, or a sizeable proportion, of the full price.

Teeling Smith reported that these five factors had been used by politicians on both the left and right to suggest that pharmaceutical expenditures were too high. 'As a result, the "conventional wisdom" is that the free-market conditions, which are essential for successful pharmaceutical innovation, have in the event resulted in "unnecessary" profits.'

Price-cutting warning

Against a background of a struggling economy, Teeling Smith's lecture was designed to warn against price-cutting as a means of reducing public expenditure because such a move would create economic damage to the successful UK pharmaceutical industry.

In the economic climate of the time, he argued that three things were certain. First, in countries with a successful pharmaceutical industry, favourable economic conditions have led to a remarkable record of innovation. Second, a strong pharmaceutical industry benefits the national economy. Finally, even in countries with a successful drug industry, governments were no longer willing to permit unfettered demand for prescription medicines together with unregulated markets. Therefore, they 'have taken steps either to restrict pharmaceutical prices, or both. These are the practical aspects of the "politics of prescribing" in the mid-1980s'.

Striking a balance

In analysing the trade-off between pharmaceutical industry revenues and NHS expenditure on drugs, Teeling Smith concluded that the UK must strike a balance. He reported that the 'present British government, and its Prime Minister in particular, believes that the professions and "protected" industries, such as pharmaceuticals, have been too generously sheltered from the normal forces of competition'. And, the 'present Conservative scepticism is reinforced by the hostility towards the pharmaceutical industry in the other political parties'.

Despite the political position, the dilemma remained: 'Where does the balance lie between the successful stimulation of pharmaceutical research – with all its medical and economic benefits – and the risks of "featherbedding" pharmaceutical employees and shareholders?'

Until proper evidence was collected and analysed on where the public interest lay, Teeling Smith recommended that the UK and other advanced governments 'would do

well to hold back on excessive measures to reduce pharmaceutical consumption, and prices and profits. Such measures – aimed at short-term reductions in health service expenditures – could prove very costly in the long term both in medical and economic terms.' In particular, the professor reported that the Greenfield Committee's suggestion of automatic generic substitution would have been extremely damaging to the UK pharmaceutical industry if the idea had become government policy.²

References

1. Office of Health Economics. *OHE Briefing: The politics of prescribing*. London: OHE, 1985.
2. Baines D. *Prescriber* 2014;25(issue 5):32–4.

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In the next instalment, we will examine Professor Alan Maynard's idea for prescribing budgets and Professor Alain Enthoven's suggested new incentive structures.